

Memorandos

Parte 1

AGREEMENT FEDERAL FINANCIAL
INSTITUTIONS EXAMINATION COUNCIL (FFIEC)

7-25-95
Higinio
Maria Cruz
HC
Copia a Rosario
Rosario Estrella
Aracelis Concha

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-1001

AREA CODE 212 720-6375

FACSIMILE 212 720-8742

CHESTER B. FELDBERG
EXECUTIVE VICE PRESIDENT

July 18, 1995

Mr. Joseph P. O'Neil
Commissioner of Financial Institutions
Office of the Commissioner of Financial Institutions
Commonwealth of Puerto Rico
1492 Ponce de Leon Avenue, Suite 600
San Juan, Puerto Rico 00907-4127

Dear Mr. O'Neil:

As you know, the Commissioner's Office and the Federal Reserve have long cooperated in a variety of ways in the supervision of Banponce Corporation and Banco Popular de Puerto Rico. Recognizing the beneficial effects of such Commonwealth-federal cooperation, the Riegle Community Development and Regulatory Improvement Act of 1994 directed the Federal Financial Institutions Examination Council to issue guidelines for our accepting Commonwealth reports of examination. I am enclosing, for your information, a copy of these guidelines, which are being published in the Federal Register.

I do not anticipate that these guidelines will affect the close working relationship that our respective agencies have developed over the years. In fact, I look forward to continuing to build on this strong relationship.

Sincerely yours,

Chester B. Feldberg

Enclosure

cc: Mr. Michael J. Zamorski,
Acting Regional Director
Federal Deposit Insurance Corporation

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RECEIVED
AREA OF DIRECTOR



2100 Pennsylvania Avenue, NW, Suite 200 • Washington, DC 20037 • (202) 634-6526 • FAX (202) 634-6556

PRESS RELEASE

For immediate release

June 22, 1995

The Federal Financial Institutions Examination Council (FFIEC) announced today its adoption of Guidelines for Relying on State Examinations. The guidelines were issued pursuant to section 349 of the Riegle Community Development and Regulatory Improvement Act of 1994 and will be effective upon publication in the Federal Register.

Section 349 requires the FFIEC to issue guidelines establishing standards for the purpose of determining the acceptability of State reports of examination under section 10(d) of the Federal Deposit Insurance Act. The guidelines describe the current working relationships with the States and sets forth general criteria for determining the acceptability of State reports. Section 349 states that the standards are to be used at the discretion of the appropriate Federal banking agency.

The guidelines were drafted by an interagency working group consisting of representatives of the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the FFIEC's State Liaison Committee.

#

[Billing Code 6210-01-M]

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Guidelines for Relying on State Examinations

Agency: Federal Financial Institutions Examination Council

ACTION: Notice and Final Guidelines.

SUMMARY: The Federal Financial Institutions Examination Council (FFIEC) announces the adoption of its Guidelines for Relying on State Examinations pursuant to section 349 of the Riegle Community Development and Regulatory Improvement Act of 1994 (CDRI Act), codified at 12 U.S.C. 1820(d)(9). This section requires the FFIEC to issue guidelines establishing standards for the purpose of determining the acceptability of State reports of examination under section 10(d)(3) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. 1820(d)(3). Under section 10(d)(3), a Federal banking agency may conduct an annual, on-site examination of an insured depository institution in alternate 12-month periods (except those insured institutions with total assets of less than \$250 million for which an 18-month examination cycle is permitted) if the Federal banking agency determines that a State examination of that institution conducted during the intervening period is adequate. Section 349 of the CDRI Act states that the standards issued by the FFIEC are to be used at the discretion of the appropriate Federal banking agency.

EFFECTIVE DATE: These guidelines are effective on [Insert date of publication in the Federal Register].

FOR FURTHER INFORMATION CONTACT:

BOARD: Frederick M. Struble, Associate Director, (202/452-3794),

Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

FDIC: Daniel M. Gautsch, Examination Specialist, (202/898-6912), Office of Policy, Division of Supervision, or Ken A. Quincy, Section Chief, (202/942-3083), Consumer Compliance & Analysis Branch, Division of Compliance and Consumer Affairs. For legal issues, Lisa R. Chavarria, Attorney, (202/898-6891), Supervision and Legislation Branch, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

OCC: Bill Morris, National Bank Examiner, (202/874-5190), Office of the Chief National Bank Examiner, Office of the Comptroller of the Currency, 250 E Street, SW., Washington DC 20219.

OTS: Scott M. Albinson, Special Assistant to the Director of Supervision, (202/906-7984), Supervision, Office of Thrift Supervision, 1700 G. Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION: The supervisory divisions of the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Office of Thrift Supervision (Federal banking agencies) responsible for the examination of state-chartered, insured depository institutions, and the branches and agencies of foreign banks that have been chartered by the States have a long history of coordinating with the State banking

departments¹ in fulfilling a mutual goal of promoting a safe and sound banking system.² It is recognized that this close cooperation between the Federal and State regulators promotes efficiency in the examination process, reduces the regulatory burden on state-chartered, insured depository institutions, and improves the supervisory process.

The Federal and State banking agencies have worked together, to varying degrees, in the following areas:

- Conducting alternate, joint and concurrent safety and soundness examinations of insured depository institutions and of the branches and agencies of foreign banks that have been chartered by the States.
- Processing safety and soundness examination reports and applications on a timely basis.
- Using common examination report and application forms.
- Developing and issuing informal (e.g., board resolutions, memoranda of understanding or other similar agreements) and formal enforcement actions.
- Exchanging supervisory information.
- Offering Federal agency training programs to State Examiners.
- Providing access to the Federal agency data bases.

¹ The term "State banking department" includes any separate thrift department or division of a State.

² The Office of the Comptroller of the Currency is not responsible for the supervision and regulation of any state-chartered, insured depository institutions.

The Federal banking agencies intend to continue these cooperative efforts to the maximum extent possible. It is recognized, however, that the adequacy of State budgeting, examiner staffing, and training are important factors to enhancing Federal and State coordination. Currently, the Federal banking agencies, individually, have entered into formal or informal arrangements or working agreements with most State banking departments. These working agreements or informal arrangements generally address the following areas:

- The number of state-chartered, insured institutions to be examined on an alternating basis by the State banking department and by the Federal banking agency.
- The frequency of safety and soundness examinations.
- The type of examinations to be conducted (independent, joint, or concurrent) by each agency.
- The pre-examination procedures to be performed.
- The responsibilities of each agency for processing reports of examination.
- The responsibilities of each agency for conducting specialty examinations (compliance, information systems, trust, etc.).
- The procedures for coordinating informal and formal enforcement actions.
- • The procedures for processing joint applications.
- The procedures for sharing supervisory information.

These working agreements or informal arrangements are

structured to permit both Federal and State agencies the flexibility to conduct an independent examination subject only to notification to the other party. Generally, only institutions rated "1" or "2" are examined on an alternating basis allowing for a reasonable interval between examinations. The appropriate Federal banking agency and the State banking department periodically meet and coordinate examination schedules.³

A hallmark of the successful program to date has been this flexibility to tailor cooperation to the particulars of each State and to the specifics of individual banks within a State, plus the reality of changing circumstances at both the Federal and the State levels. The FFIEC guidelines strive to maintain that flexibility.

Therefore, the FFIEC issues the following guidelines pursuant to 12 U.S.C. 1820(d)(9):

GUIDELINES FOR RELYING ON STATE EXAMINATIONS: The Federal banking agencies will accept and rely on State reports of examination in all cases in which it is determined that State examinations enable the Federal banking agencies to effectively carry out their supervisory responsibilities. The following criteria may be

³ In 1992, the FDIC and the Federal Reserve, individually, entered into joint resolutions with the Conference of State Bank Supervisors designed to encourage the negotiation and formation of working agreements with the State banking departments. The objective of these agreements is to foster closer supervisory cooperation between the State departments and the FDIC or the Federal Reserve. The working agreements generally identify those state-chartered banks that will be examined on an alternating basis, and other banks that will be examined on a joint or concurrent basis, if practicable.

considered, in whole or in part, by a Federal banking agency when determining the acceptability of a State report of examination under section 10(d) of the Federal Deposit Insurance Act:

- The completeness of the State examination report. The State report of examination of a state-chartered, insured depository institution or a state-chartered branch or agency of a foreign bank should contain sufficient information to permit a reviewer to make an independent determination on the overall condition of the institution as well as each component factor and composite rating assigned under the "Uniform Financial Institutions Rating System" used for insured depository institutions and commonly referred to as the "CAMEL" rating system or the ROCA rating system used for branches and agencies of foreign banks.

- The adequacy of documentation maintained routinely by State examiners to support observations made in examination reports.

- The ability over time of a State banking department to achieve examination objectives. At a minimum, the Federal banking agencies will consider the adequacy of State budgeting, examiner staffing and training, and the overall review and follow-up examination process of a State banking department. Accreditation of a State banking department by the Conference of State Bank Supervisors is among the factors that also will be considered.

- The adequacy of any formal or informal arrangement or working agreement between a State banking department and a

Federal banking agency.

The Federal banking agencies, as part of their routine review of State examination reports, will assess the quality and scope of the reports to determine whether they continue to meet the above general criteria. The Federal banking agencies retain the option in cases in which a State examination report appears insufficient or the condition of an insured institution, as indicated in the examination report or other sources, appears to be seriously deteriorating, to conduct a follow-up examination.

The appropriate Federal banking agency and State banking department will continue to share, discuss and work to resolve any problems or concerns regarding the acceptability of each other's work or the operation of these guidelines and the alternating examination program, as well as other issues of mutual interest.

Dated: June 22, 1995

Signed:



Joe M. Cleaver
Executive Secretary/Federal Financial
Institutions Examination Council



NATIONWIDE COOPERATIVE AGREEMENT

and

**NATIONWIDE STATE-FEDERAL
AGREEMENT**

for

**INTERSTATE BANKING AND BRANCHING
SUPERVISION**

Adopted November, 1996; Revised December 9, 1997

**The Conference of State Bank Supervisors
Washington, DC**

On November 13 and 14, 1996, the nation's state bank supervisors, the Federal Deposit Insurance Corporation, and the Federal Reserve Board came together to sign two historic agreements to create a seamless supervisory system for state-chartered banks that operate across state lines.

The agreements were the culmination of two years of effort, building on the Framework for Cooperative Agreement and State-Federal Protocol approved in May 1996 as well as regional agreements signed in the Mid-Atlantic, Western, Midwestern and New England states.

Under these agreements, multi-state, state-chartered banks will deal with a single regulatory point of contact at both state and federal levels. State-chartered banks will comply with home state law in almost every area; host state law will apply to state-chartered bank branches as it does to national bank branches, in the areas of intrastate branching, community reinvestment, consumer protection and fair lending.

The agreements offer state-chartered banks increased regulatory certainty and more uniformity. The agreements are flexible enough to apply to most state-chartered banks; however, state regulators, the FDIC and the Federal Reserve will custom-tailor the agreements to meet the needs of complex organizations.

These agreements mark a historic point in the evolution of our dual banking system. The state banking departments, FDIC and Federal Reserve Banks are unanimously committed to making this system work. The result of these agreements will be a state bank supervisory system that is even stronger and more responsive to the needs of our citizens and our banks.

Earl L. Manning
Commissioner, Missouri
Division of Finance
Chairman, CSBS

John L. Bley
Superintendent of
Financial Institutions,
Washington
Chairman, CSBS
Interstate Task Force

Neil Milner, CAE
President and CEO,
Conference of State
Bank
Supervisors

**NATIONWIDE
COOPERATIVE
AGREEMENT**

Revised December 9, 1997

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ARTICLE 1. DEFINITIONS

For the purposes of this Agreement:

1. "An emergency" shall include, but not be limited to, the existence of conditions or circumstances which, if allowed to continue, will likely result in harm to the public.
2. "Enforcement action" means any action whether civil, criminal, administrative, or equivalent action, to enforce the banking or any other applicable laws.
3. "Federal bank regulatory agency" means the Federal Reserve System in the case of a bank which is a member of the Federal Reserve System or the Federal Deposit Insurance Corporation in the case of a bank which is not a member of the Federal Reserve System.
4. "Home state" means the state where a multi-state bank is chartered.
5. "Home state supervisor" means the bank supervisory agency of the home state of a multi-state bank.
6. "Host state" means a state other than the home state of a multi-state bank where the bank maintains or seeks to establish a branch.
7. "Host state supervisor" means the bank supervisory agency of the host state of a multi-state bank.
8. "Multi-state bank" means a state-chartered bank that maintains branches in one or more host states.
9. "Originating authority" means the bank supervisory agency that originally compiles or drafts an item of supervisory information.
10. "Supervisory information" means all information and reports compiled or drafted in the ordinary course of supervising and examining a multi-state bank, including reports of examination and information relating to applications, complaints, and enforcement actions, or copies thereof.

ARTICLE 2. STATEMENT OF PURPOSE

Section 2.1. Intent.

On April 20, 1995, the CSBS members unanimously adopted "The Protocol", the supervision guidelines for state banking departments in an interstate banking and branching environment. These guidelines were designed to assist states in their efforts to maintain competitive, responsive, safe and sound banking services for the citizens of their states. To achieve these guidelines, The Protocol called for the states to enter into cooperative agreements tailored to the unique corporate structure and business strategy of the multi-state banks or institutions involved; hence, a model cooperative agreement, which provided the basis for this "Agreement", was developed by the CSBS Interstate Task Force to assist state banking departments.

Section 2.2. Goals.

The goals of the parties of this Agreement are to promote a comprehensive nationwide system for safety and soundness of financial institutions, to supervise and examine multi-state banks in cooperation with other states, to foster effective coordination and communication among the parties to facilitate the process of supervision and examination with the least burden to multi-state banks, and to enhance responsiveness to local needs and interests in an interstate banking and branching environment.

Section 2.3. Responsibilities.

The parties recognize that the home state supervisor is the primary regulator and will act as the single point of contact. The home state supervisor is primarily responsible for supervising its state-chartered banks, including branches that may be established in various host states. In addition, the parties recognize that host state supervisors have a legitimate interest in monitoring the safety and soundness of out-of-state banks that operate branches in their states and in making sure those branches are operated in compliance with host state law.

Overall, the parties will cooperate to assure that each of their material interests, authorities and responsibilities is fulfilled.

ARTICLE 3. INFORMATION SHARING

Section 3.1. Request for Information.

A state supervisor may at any time request from another state supervisor supervisory information regarding a state bank operating branches in both states. The request shall be made in writing by the state supervisor or the supervisor's designee.

A request by a state supervisor should be reasonably specific as to the documents or information sought. The state supervisor may request items relating to a particular event, such as a specific examination report, or may make a standing request for all items of a particular nature or relating to a specific bank.

The state supervisor shall limit its use of information obtained under this Agreement to purposes directly related to its supervisory authority.

When a federal bank regulatory agency requests information from a host state, the host state should defer the request for information to the home state.

Section 3.2. Providing Information.

The state supervisors shall comply with a request for supervisory information within a reasonable time to the fullest extent permitted by state law. Supervisory information protected by federal law shall not be provided until the permission of the appropriate federal bank regulatory agency is obtained.

Section 3.3. Confidentiality.

Supervisory information shared under this Agreement shall be presumed to be confidential unless otherwise specified by the originating authority. To the fullest extent permitted by law, the parties will treat information obtained under this Agreement with the same degree of confidentiality that applies to the information in the hands of the originating authority.

Supervisory information shared under this Agreement remains the property of the

originating authority and shall not be further disclosed by the recipient without the written permission of the originating authority, except as otherwise required by applicable law or order of a court of competent jurisdiction. Supervisory information obtained under this Agreement should be returned or destroyed.

Section 3.4. Subpoenas.

Before disclosing any supervisory information, a state supervisor shall notify the originating authority immediately on receipt of a subpoena or other legal process by any court, legislative body, governmental agency, or any request from another person or entity not a party to this Agreement seeking disclosure of supervisory information supplied by the originating authority so that the originating authority may have an opportunity to challenge the release of the information. Home state and host state supervisors shall cooperate in the preparation of any memoranda, request for protective order or pleadings deemed desirable by the originating authority to protect the confidentiality of supervisory information.

ARTICLE 4. RESPONSIBILITY FOR EXAMINATION

Section 4.1. Role of Home State Supervisors.

To promote a single point of contact, the home state supervisor shall be responsible for examining its multi-state banks for safety and soundness and compliance with applicable laws, including coordination with the host state supervisors, the appropriate federal bank regulatory agency and bank management. The home state supervisor may use host state examiners to examine for safety and soundness, trust and electronic data processing. Also, the home state supervisor shall consult with the host state and should use host state examiners to examine for compliance with host state laws regarding community reinvestment, consumer protection and fair lending, in those states that have enacted such laws.

The home state supervisor shall give reasonable notice to each host state supervisor of the time and scope of an upcoming multi-state bank examination. The home state supervisor may request the host state supervisors' participation in a multi-state bank examination for safety and soundness, trust and electronic data processing. In determining when to request

the assistance of the host state supervisors for such examinations, the home state supervisor shall consider the efficiency of the examination and the interests of the state banking system.

The home state supervisor should use host state examiners to examine for compliance with host state laws regarding community reinvestment, consumer protection and fair lending, in those states that have enacted such laws.

The home state supervisor shall designate the examiner-in-charge of an examination of a multi-state bank. If the home state supervisor participates in an examination program with the federal bank regulatory agencies, the examiner-in-charge may be an examiner employed and selected by a federal bank regulatory agency. The examiner-in-charge shall designate the examination responsibilities of each examiner involved in the examination. Each examiner involved in an examination shall perform the responsibilities designated and promptly report the findings to the examiner-in-charge in the form requested, together with supporting work papers. The home state supervisor shall rely on the guidance of the host state supervisors in applying host state laws.

The home state supervisor shall compile the examination findings and advise the host state supervisors of the findings, any follow-up required and any enforcement actions proposed. The home state supervisor may request the participation of host state supervisors before, during and after an examination.

Section 4.2. Role of Host State Supervisors.

The host state supervisors shall provide the home state supervisor with guidance on the application of state laws and should participate in examinations for compliance with applicable state community reinvestment, consumer protection and fair lending laws.

When requested by the home state supervisor, the host state examiners may assist in the safety and soundness, trust and electronic data processing examinations of multi-state banks and participate in discussions with management and directors to the extent practicable.

The host state supervisors may keep copies of examination findings and supporting work papers they create while participating in the home state supervisor's examination. Before disclosing any supervisory information, the host state supervisors shall immediately notify the home state supervisor of any subpoena, legal process or other requests for supervisory information created while participating in the examinations. To provide the

home state supervisor with the opportunity to challenge the release of such supervisory information, the parties shall proceed in accordance with Section 3.4 of this Agreement.

A host state supervisor shall advise the home state supervisor whenever the host state supervisor has reasonable cause to believe an examination of a branch of a multi-state bank is necessary due to an emergency. If the home state supervisor is unable to undertake the examination in a reasonable time, the host state supervisor may conduct the examination. A host state supervisor who conducts an examination under this provision shall observe the provisions of this Agreement otherwise governing a home state supervisor conducting an examination.

Section 4.3. Planning and Scheduling.

Annually, each home state supervisor, in consultation with host state supervisors and the appropriate federal bank regulatory agency, shall schedule its regular examinations of home state multi-state banks. Each home state supervisor shall promptly furnish its schedule for examinations to each relevant host state supervisor together with the home state supervisor's anticipated request for host state supervisors' assistance in conducting the examinations.

Section 4.4. Efficient Use of State Resources.

If the home state supervisor determines to involve the host state supervisor(s) in an examination, to facilitate efficiencies in the examination, the supervisors may enter into separate bilateral agreements governing the sharing of resources and compensation for services rendered to the extent permitted by the laws of their respective jurisdictions.

ARTICLE 5. ENFORCEMENT ACTIONS

Section 5.1. Home State Notification and Action.

The home state supervisor shall be primarily responsible for initiating enforcement actions against a multi-state bank. The home state supervisor shall notify all host state supervisors immediately of any enforcement action, formal or informal, taken against a

multi-state bank. If possible, notification by the home state supervisor will be given in advance of the enforcement action. Enforcement actions to address violations of host state laws where possible shall be taken jointly by home state and host state supervisors.

Section 5.2. Emergency Actions by Host State.

Notwithstanding Section 5.1., the host state supervisor may in an emergency, upon reasonable notice to the home state supervisor, take any enforcement action against a branch of a multi-state bank, permitted under host state law.

ARTICLE 6. APPLICABLE LAWS

The parties recognize that neither home nor host state supervisors may be empowered to waive provisions of home or host state law directly applicable to multi-state banks or their branches in host states. To the extent it may assist counsel and judicial authorities in resolving issues of applicable law, however, the parties agree that those issues may be resolved using the following general principles.

Section 6.1. Host State Law.

Host state law that applies to the operations of a branch established in the host state by an out-of-state national bank, shall apply to the operations of a host state branch of a multi-state bank, including: (i) antitrust law and deposit concentration limits; (ii) community reinvestment and similar laws; (iii) consumer protection laws, including lending and usury laws to the extent that laws or court decisions regarding the exportation of interest rates are inapplicable; and (iv) fair lending or equal credit laws.

For purposes of this Section, the term "out-of-state national bank" means a national banking association that has been organized and is operating pursuant to the National Bank Act, 12 U.S.C. 21 *et seq.*, and whose main office is located in a state other than the relevant host state.

Section 6.2. Home State Law.

To the extent that, based on the principles referred to in Section 6.1, host state law is determined to be inapplicable to particular operations of a host state branch of a multi-state bank, such operations shall be governed by home state law. In addition, home state law shall apply generally to the corporate structure and procedures and internal policies of a multi-state bank including: (i) charter and bylaws; (ii) incorporation and dissolution;

(iii) board of directors and management; (iv) capital; (v) loans and investments; (vi) common trust funds; (vii) dividends; (viii) indemnification of directors and officers; (ix) stock and debt; and (x) structure of bank subsidiaries.

Section 6.3. List of State Laws.

Each of the parties may, for purposes of general guidance, supply to the other a list of state (banking) laws that may be applied to multi-state banks operating within their borders, indicating which of the parties is responsible for implementing each of the laws.

ARTICLE 7. APPLICATIONS

Section 7.1. Approval Authority.

Unless otherwise expressly provided under host state law, the home state supervisor shall ~~have approval authority over all applications from a multi-state bank.~~

Section 7.2. Notification to Host State.

The home state supervisor shall provide to each host state supervisor notice of all applications/notifications relating to facilities of a multi-state bank within their borders and shall take their views into account in the approval process. Also, when the home state supervisor reaches a decision in the approval process, the home state supervisor shall communicate this decision to the host state supervisor. Copies of the applications/notifications will be provided to host state supervisors upon request.

The home state supervisor shall provide to each host state supervisor notice of all applications/notifications by a multi-state bank to enter into a corporate transaction such as a merger, acquisition, or change of control and shall take their views into account in the consideration process. Copies of the applications/notifications will be provided to host state supervisors upon request.

ARTICLE 8. COMPLAINTS

Section 8.1. Responsibilities.

The home state supervisor and the host state supervisor will agree as to which agency shall have the primary responsibility for the processing and resolution of consumer complaints filed against branches of multi-state banks by residents of their respective states. Information summarizing the volume, nature and resolution of consumer complaints will be provided by the designated supervisor on at least a quarterly basis. Instances of serious consumer abuse, violations of law and/or patterns of practice which cause serious supervisory concerns will be promptly reported and jointly resolved.

Section 8.2. Enforcement Actions.

Any enforcement action resulting from a complaint against a host state branch shall be taken as provided in Article 5 of this Agreement.

ARTICLE 9. PARTIES

Section 9.1. Representations and Warranties.

Each signatory state supervisor represents and warrants that he or she has all requisite power and authority to enter into and perform this Agreement and to the extent consistent with state law, any party acting within the scope of this Agreement shall be deemed to be acting within the scope of the signatory state supervisor's statutory authority.

Section 9.2. Change in Power or Authority.

In case there is any material change in the power or authority of any signatory state supervisor to perform this Agreement, such state supervisor shall promptly give notice of the change to the other state supervisors.

ARTICLE 10. EXECUTION, ENFORCEABILITY, OTHER AGREEMENTS AND TERMINATION

Section 10.1 Execution.

The terms of this Agreement shall become effective when a state supervisor has executed the original or a counterpart signature page. Also, this Agreement is not intended to be limited to the original signatories, and other parties may sign after the initial execution of this document.

Section 10.2. Binding and Enforceable.

This Agreement shall be binding and enforceable on the parties to the extent allowed by state law.

Section 10.3. Other Agreements.

This Agreement is not intended to prevent the parties from entering other agreements with individual parties, other bank supervisors, or individual banks regarding the subject matter of this Agreement.

Section 10.4. Amendment and Termination.

Any party to this Agreement may propose an amendment at any time, but this Agreement may be amended only by a written instrument signed by each of the signatory state supervisors.

Notwithstanding the preceding paragraph, technical changes to this Agreement that are necessary or appropriate in light of changes in federal law shall take effect 30 days after the CSBS Board of Directors has approved such changes and provided written notice thereof to all signatory state supervisors, in the absence of objections from any signatory state supervisor.

Any party to this Agreement may withdraw from the Agreement at any time by giving written notice of withdrawal or termination to all other parties. The withdrawal of any party shall terminate the participation of the respective signatory state supervisor 90 days

after the date of withdrawal unless the remaining parties waive the 90 day notice period.

ARTICLE 11. MISCELLANEOUS

Section 11.1. Captions.

The captions in this Agreement are for convenience of reference only, do not constitute a part of this Agreement, and shall not affect the meaning or construction of any provision of this Agreement.

Section 11.2. Waiver.

The waiver by any state supervisor of the performance of any provision of this Agreement shall not invalidate this Agreement, nor shall it be considered a waiver of any other provision. The waiver by any state supervisor of the time for performing any act required by this Agreement shall not be considered a waiver of the time for performing any other act or an identical act required to be performed at a later time.

Section 11.3. Survival.

In the absence of state law to the contrary, this Agreement shall survive any change in the identity of the executive in charge of any home or host state bank supervisor.

Section 11.4. Severability.

If any provision of this Agreement or the application thereof to any person or circumstances is held invalid or illegal, such invalidity or illegality shall not affect other provisions or applications of this Agreement which can be given effect without the invalid or illegal provision or application, and to this end, the provisions of this Agreement are declared to be severable.

Signatures of State Bank Supervisors for the Nationwide Cooperative Agreement as amended on
12/09/97

IN WITNESS WHEREOF, the below signatory State Supervisors have executed this Agreement
as of the day and year as indicated below:

Signed:

Of:

Date:

[Signature]

Alabama

1/5/98

[Signature]

Alaska

12/10/97

[Signature]

Arizona

12/10/97

[Signature]

Arkansas

1/3/98

[Signature]

California

12/10/97

[Signature]

Colorado

1/5/98

[Signature]

Connecticut

12/10/97

[Signature]

Delaware

12/10/97

[Signature]

District of Columbia

2/2/98

[Signature]

Florida

2/3/98

Signed:

Of:

Date:

Steven D. Bridges

Georgia

12/10/97

Guam

April M. White

Hawaii

2/9/98

Joe M. [Signature]

Idaho

12/10/97

Jack [Signature]

Illinois

12/10/97

Charles W. [Signature]

Indiana

12/30/97

M. H. [Signature]

Iowa

1/13/98

W. Newton Male

Kansas

12/10/97

Ellen Robinson

Kentucky

1/5/98

Lang L. Murray

Louisiana

3/10/98

A. [Signature]

Maine

1/20/98

Signed:

Of:

Date:

W. J. Royer

Maryland

1/13/98

[Signature]

Massachusetts

12/10/97

[Signature]

Michigan

12/10/97

[Signature]

Minnesota

1/5/98

[Signature]

Mississippi

12/10/97

[Signature]

Missouri

12/10/97

[Signature]

Montana

1/5/98

[Signature]

Nebraska

12/10/97

[Signature]

Nevada

4/2/98

[Signature]

New Hampshire

2/11/98

[Signature]

New Jersey

12/10/97

Signed:

Of:

Date:

William J. Hunt

New Mexico

1/23/98

Edzo

New York

2/2/98

John S. Singlet

North Carolina

3/23/98

Ray Coughlin

North Dakota

1/7/98

Jill

Ohio

1/14/98

Walt Thompson

Oklahoma

12/10/97

R. A. Hockley

Oregon

1/5/98

Richard C. Nelson

Pennsylvania

12/10/97

Higinio Colon

Puerto Rico

1/6/98

[Signature]

Rhode Island

1/29/98

South Carolina

Signed:

Of:

Date:



South Dakota

2/28/98

Bill C. Houston

Tennessee

12/10/97

Catherine A. Ghiglieri

Texas

12/10/97



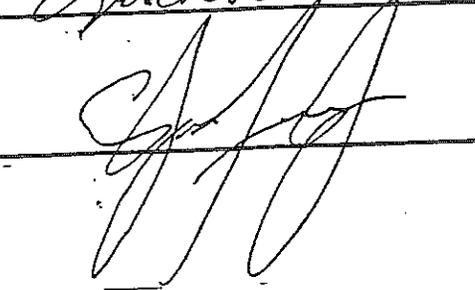
Utah

12/10/97

Edward R. Costa

Vermont

2/3/98



Virginia

12/10/97

Virgin Islands

John Z. Bley

Washington

12/10/97

Sharon L. Bias

West Virginia

1/5/98

Michael J. Muel

Wisconsin

12/10/97



Wyoming

12/10/97

**NATIONWIDE
STATE/FEDERAL
SUPERVISORY
AGREEMENT**

November 14, 1996

NATIONWIDE STATE/FEDERAL SUPERVISORY AGREEMENT

This Agreement is made and entered into by and between the Parties. It is not intended to prevent the Parties from entering into other agreements or arrangements regarding the subject matter of the Agreement.

I. Statement Of Purpose

A. Goals

The Parties recognize that state-chartered banks will establish interstate branches creating a compelling need for enhanced cooperation among Federal and State regulatory agencies. The goals of the Parties to this Agreement are to: (1) provide for a seamless supervisory process; (2) ensure that supervision is flexible and commensurate with the organization's risk; and (3) minimize regulatory burden and cost.

B. Responsibilities

1. The State Supervisory Authorities that are parties to this Agreement (collectively the "State Supervisory Authorities") have endorsed the Nationwide Cooperative Agreement, dated November 13, 1996, which governs the supervisory responsibilities among the State Supervisory Authorities for Multi-State Banks in such states.
2. The Board of Governors of the Federal Reserve System (the "Board of Governors") and the Federal Deposit Insurance Corporation (the "FDIC") recognize the responsibility of the Home State Supervisor to coordinate the involvement of Host State Supervisors in the supervision and examination of Multi-State Banks, as set forth in the CSBS Interstate Banking and Branching Supervisory Protocol dated April 20, 1995.
3. The State Supervisory Authorities, the Board of Governors and the FDIC have endorsed the State/Federal Supervisory Protocol, (the "State/Federal Protocol"), which is attached as Exhibit 1, and which outlines the responsibilities of the Responsible Federal Agency and

Home State Supervisor for a Multi-State Bank. This Agreement between the Parties implements the State/Federal Protocol and sets forth the procedures to fulfill its goals and terms.

II. Supervision And Examination Process

The Parties agree to adopt and implement the procedures for the supervision and examination of Multi-State Banks as set forth in the State/Federal Protocol and, at a minimum, to take the following steps:

- A. Within 30 days of the date of this Agreement, the Responsible Federal Agencies and the Home State Supervisors will identify the Multi-State Banks covered by the supervisory program set forth in the State/Federal Protocol and this Agreement. On a quarterly basis, this list will be reviewed and, as needed, updated.
- B. Within 60 days of the date of this Agreement, the Responsible Federal Agency and the Home State Supervisor will each designate a Primary Contact Person for each of the subject Multi-State Banks. Among other things, these individuals will jointly coordinate the supervisory and examination responsibilities of their respective agencies according to the principles of the State/Federal Protocol and this Agreement. The Responsible Federal Agency and the Home State Supervisor and the Primary Contact Persons, in particular, will take the necessary steps to ensure that the goals of the State/Federal Protocol and this Agreement, including a risk-focused, seamless supervisory process, are achieved.
- C. The Primary Contact Persons will develop and, as needed, update a written comprehensive supervisory plan that covers an agreed upon period and provides for an effective and efficient supervision process tailored to the Multi-State Bank's organizational structure and risk profile. In developing and updating the comprehensive supervisory plan, the Responsible Federal Agency and the Home State Supervisor will consider the views of the Local Federal Reserve Banks, the Local FDIC Regional Offices and the Host State Supervisors, as appropriate. The comprehensive supervisory plan will include:
 1. A risk assessment of the organization;

2. The examination plan described in Section II.D. of this Agreement;
3. Schedules for examination planning meetings;
4. Estimated resource requirements for conducting on-site examinations;
5. Review and assessment of pending issues, such as the status of applications and compliance with enforcement actions;
6. Off-site monitoring plans; and
7. Such other matters as are necessary to promote the safety and soundness of the organization.

D. The Primary Contact Persons will ensure that, as part of the comprehensive supervisory plan, a written examination plan is developed that details the type, timing and location of on-site safety and soundness and specialty¹ examinations. The examination plan will take into consideration the risk profile of the organization, its structure, and managerial preferences concerning certain aspects of the examination process (i.e., a preference for a series of target examinations versus a preference for all on-site examinations to be conducted simultaneously), and each agency's on-site examination cycle mandates. In tailoring the supervisory program, the examination plan will take into consideration the organization's internal control/compliance functions, as well as the external audit, as appropriate.

E. Safety and soundness examinations will generally be conducted on a joint basis.² A joint examination will be conducted by an examination team comprised of representatives from both agencies which will issue a single examination report.

F. Notwithstanding the above provisions, the Responsible Federal Agency or

¹ Trust, Information Systems, and Consumer Affairs/CRA Examinations.

² This is not intended to supersede existing Alternate Examination Programs ("AEP"). An AEP examination will be conducted by either the Responsible Federal Agency or the Home State Supervisor, which will also issue the examination report.

the Home State Supervisor may conduct independent or special examinations in exceptional circumstances.³ The regulator initiating the independent or special examination will make every effort to provide appropriate notice to the other regulators prior to commencing the examination.

- G. The Responsible Federal Agency and the Home State Supervisor may agree to have one examiner-in-charge (the "EIC") or may each assign a co-EIC to manage the on-site, joint examination. All necessary steps will be taken to ensure that all aspects of the examination process are fully coordinated and that duplication is avoided.⁴

The Primary Contact Persons and/or the EICs, as appropriate, will meet to:

1. Develop the examination focus and scope;
2. Develop procedures for compiling off-site and on-site examination-related information;
3. Develop a joint entry letter to be sent in a timely manner prior to the start of the examination that requests essential information and materials, preferably internal bank reports, for off-site review, thereby minimizing on-site efforts and their associated burden;
4. Determine appropriate staffing levels and assign responsibilities for examination staff;
5. Develop procedures for coordinating information requests during the examination;
6. Schedule meetings with management; and
7. Determine a format for the examination report and assign responsibilities for writing and processing the examination

³ For example, where there is significant safety and soundness risk.

⁴ Steps will also be taken to avoid duplication in specialty examinations. The procedures described herein will apply when appropriate.

report, including timeframes for completion, as required by Sections II.H. and II.I of this Agreement.

- H. All examiners involved in an examination will perform the responsibilities assigned and promptly report the findings, conclusions and recommendations in the form requested, together with supporting papers to the EIC or their agency's co-EIC.
- I. The examination report will be prepared using an agreed-upon format and will be forwarded to the institution within 45 calendar days from the close of the examination, which is the date of the exit interview with management. The exit interviews will take place within 15 calendar days from the close of all on-site activities.

III. Supervisory Actions

- A. The Parties will, in all cases, consult one another regarding investigations and supervisory actions involving a Multi-State Bank.
- B. When the Responsible Federal Agency and the Home State Supervisor jointly deem that a follow-up supervisory action against a Multi-State Bank is warranted, both agencies will consult one another and coordinate the drafting and implementation.

IV. Supervisory Information

- A. Consistent with the goal of seamless supervision, any information provided by a Party to another Party will be treated as confidential supervisory information, unless otherwise specified by the providing Party, and will remain the property of the providing Party. A Party will use confidential supervisory information only for purposes directly related to its supervisory responsibilities.
- B. The Responsible Federal Agency may disclose to Local Federal Reserve Banks or Local FDIC Regional Offices confidential supervisory information obtained from Home State Supervisors if such disclosure is directly related to the Local Federal Reserve Banks' or Local FDIC Regional Offices' responsibilities. Similarly, Home State Supervisors may

disclose to the Host State Supervisors confidential supervisory information obtained from Responsible Federal Agencies if such disclosure is directly related to the Host State Supervisors' supervisory responsibilities.

- C. Whenever a Party receives an access request from another federal or state administrative agency, or a subpoena, discovery request or other legal process that would require the disclosure of confidential information obtained from the other Party, the Party will promptly notify the providing Party. Except as provided in Section IV.B. of this Agreement, and unless the providing Party consents to the disclosure or the disclosure is required by law, regulation, court order or other legal process, no Party will disclose to another person, agency or entity (other than the subject organization) confidential supervisory information obtained from the other Party without furnishing prior notice to the providing Party. As appropriate, the Parties will cooperate in the preparation of any memoranda or pleading deemed desirable by the Parties to protect the confidentiality of the information.

V. Applications

- A. The Responsible Federal Agency and the Home State Supervisor have primary responsibility for processing any application submitted by a bank as required under Federal and State law, respectively.
1. When available, similar (if not identical) applications forms will be used for applications required by both Federal and State law.
 2. For applications required by both Federal and State law, the Responsible Federal Agency or the Home State Supervisor will promptly exchange copies of any applications received. Whenever a Multi-State Bank has submitted an application only to the Responsible Federal Agency or the Home State Supervisor, the party receiving the application will promptly provide a copy of the application to the other party. Where appropriate, the Responsible Federal Agency and the Home State Supervisor will jointly coordinate any requests for additional information from the applicant and will share any changes to the application submitted by the applicant.
 3. The Responsible Federal Agency and the Home State Supervisor

will each reach a decision regarding their respective application and will communicate this decision to the applicant and to each other in a timely manner.

- B. The Responsible Federal Agency has authority for all applications required by Federal law, and will promptly furnish the Home State Supervisor with a copy of the decision.
- C. The Home State Supervisor has responsibility for the coordination of all applications required by State law, and will promptly furnish the Responsible Federal Agency with a copy of any Home or Host State decision.

VI. Resolution Of Significant Differences

- A. The Parties will make every effort to resolve any significant differences concerning the supervision of Multi-State Banks.
- B. In those matters where, despite their best efforts, the Primary Contact Person cannot resolve a significant difference concerning the supervision of Multi-State Banks, the matters will immediately be referred to the appropriate senior officials of the Responsible Federal Agencies and the Home State Supervisor.

VII. Miscellaneous

- A. Whenever this Agreement provides for a notice to be given to a Party, the notice will be given in writing.
- B. A Party may terminate this Agreement by giving notice to the other Party. The terminations shall be effective 90 days after the date of the notice.
- C. This Agreement may be amended only by a written instrument signed by each of the Parties.
- D. This Agreement may be executed in counterparts and shall become effective when all parties have executed the original or a counterpart

signature page.

- E. This Agreement is not intended to be limited to the original signatories and other Parties may sign after the initial execution of this document.

VIII. Definitions

- "Home State" means the state where a state-chartered, Multi-State Bank is chartered.
- "Home State Supervisor" means the bank supervisory agency of the Home State of a Multi-State Bank.
- "Host State" means a state other than the Home State of a Multi-State Bank where the bank maintains a branch.
- "Host State Supervisor" means the bank supervisory agency of a Host State of a Multi-State Bank.
- "Local FDIC Regional Office" means a FDIC regional office other than the region of the Responsible FDIC Regional Office where a nonmember, Multi-State Bank maintains a branch.
- "Local Federal Reserve Bank" means a Federal Reserve district other than the Responsible Reserve Bank's district where a member Multi-State Bank maintains a branch.
- "Multi-State Bank" means a state-charter bank that operates a branch or branches in a state other than its Home State.
- "Party" and "Parties" means the signatories to this Agreement. With respect to Sections IV and VI of this Agreement the terms "Party" and "Parties" include the Federal Reserve Banks.
- "Responsible FDIC Regional Office" means the FDIC regional office with responsibility for coordinating the FDIC's supervision process for a state nonmember bank.
- "Responsible Federal Reserve Bank" means the Federal Reserve Bank with responsibility for coordinating the Federal Reserve's supervision process for a state member bank.

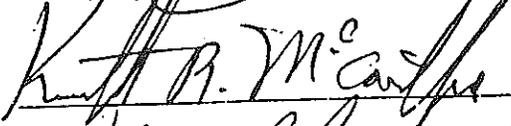
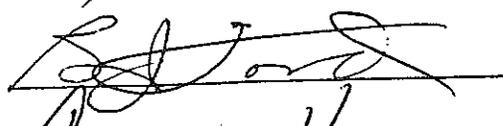
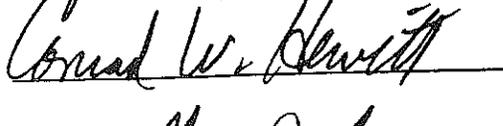
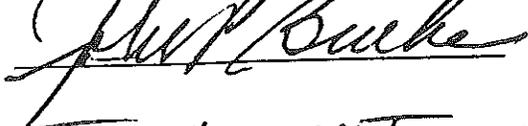
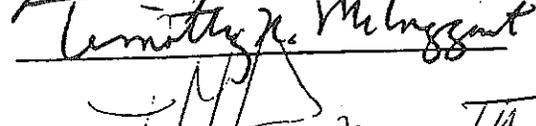
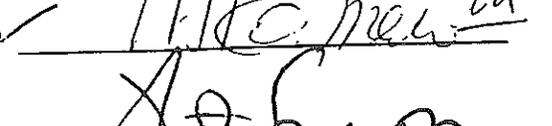
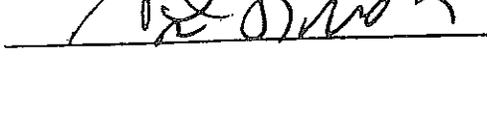
- "Responsible Federal Agency" means either the Responsible Federal Reserve Bank or Responsible FDIC Regional Office for member or nonmember Multi-State Banks, respectively.

Signatures:

Signed:

Of:

Date:

	Federal Deposit Insurance Corporation	<u>11-14-96</u>
	Federal Reserve System	<u>11/14/96</u>
	Alabama	<u>11-14-96</u>
	Alaska	<u>11-14-96</u>
	Arizona	<u>11-14-96</u>
	Arkansas	<u>11-14-96</u>
	California	<u>11-14-96</u>
	Colorado	<u>11-14-96</u>
	Connecticut	<u>11-14-96</u>
	Delaware	<u>11-14-96</u>
	District of Columbia	<u>11/21/96</u>
	Florida	<u>11/14/96</u>

Signed:

Of:

Date:

Steven D. Budge

Georgia

11-14-96

Guam

Lyone Kameh for Lyone Y. Watabaki

Hawaii

11-14-96

[Signature]

Idaho

11-14-96

[Signature]

Illinois

11-14-96

Charles W. Peltier for [Signature]

Indiana

11/14/96

[Signature]

Iowa

11-14-96

H. Newton Male

Kansas

Nov. 14, 1996

[Signature]

Kentucky

11-14-96

Larry L. Murray

Louisiana

Nov. 14, 1996

Calette L. Mooney

Maine

Nov. 14, 1996

[Signature]

Maryland

11/14/96

[Signature]

Massachusetts

11/14/96

Signed:

Of:

Date:

[Signature]

Michigan

11-14-96

[Signature]

Minnesota

11/14/96

[Signature]

Mississippi

11/14/96

[Signature]

Missouri

11-14-96

[Signature]

Montana

11-14-96

[Signature]

Nebraska

11-14-96

Nevada

New Hampshire

[Signature]

New Jersey

11-14-96

[Signature]

New Mexico

11/14/96

[Signature]

New York

11/19/96

[Signature]

North Carolina

11/14/96

[Signature]

North Dakota

11/14/96

Signed:

Of:

Date:

John A. McLean

Michigan

11-14-96

John D. Allen

Minnesota

11/14/96

Earl H. Manning

Missouri

11-14-96

Donald W. Hutchins

Montana

11-14-96

James A. Hansen

Nebraska

11-14-96

James Washburn

Nevada

11-21-96

New Hampshire

John M. Tracer

New Jersey

11-14-96

William F. Hunt

New Mexico

11/14/96

Will O To

New York

11/19/96

John D. King

North Carolina

11/14/96

Gay Snyder

North Dakota

11/14/96

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13d

Signed:

Of:

Date:

John H. Lee

Michigan

11-14-96

John D. Allen

Minnesota

Earl W. Manning

Mississippi

11/14/96

Charles W. Hutchins

Missouri

11-14-96

James A. Hansen

Montana

11-14-96

Nebraska

11-14-96

Nevada

Robert Kober

New Hampshire

11-22-96

John M. Traver

New Jersey

11-14-96

William F. Hunt

New Mexico

11/14/96

Mark W. Co

New York

11/19/96

John H. Langford

North Carolina

11/14/96

Gary Wright

North Dakota

11/14/96

Signed:

Of:

Date:

Alroy M. Meeks for
W. Curtis State

Ohio

11-14-96

M. J. Thompson
Comp. P. House

Oklahoma

11-14-96

Nicholas C. Butler

Oregon

11-14-96

Pennsylvania

11/14/96

Virginia Polak

Puerto Rico

11-25-96

Rhode Island

South Carolina

Leslie D. Swann

South Dakota

11-14-96

Bill C. H.

Tennessee

11-14-96

Catherine A. Gagliardi

Texas

11/14/96

Ed. J. [unclear]

Utah

11-14-96

Edward R. Carter

Vermont

as of 11/14/96

Eric A. Bailey

Virginia

11/14/96

Signed:

Alvin M. Marks 197
W. Curtis State

Of:

Ohio

Date:

11-14-96

[Signature]
[Signature]

Oklahoma

11-14-96

Oregon

11-14-96

Anthony A. Boston

Pennsylvania

11/14/96

Puerto Rico

[Signature]

Rhode Island

11/21/96

South Carolina

[Signature]

South Dakota

11-14-96

Bill C. H.

Tennessee

11-14-96

Catherine A. Gagliardi

Texas

11/14/96

[Signature]

Utah

11-14-96

Ernest R. Carter

Vermont

as of 11/14/96

[Signature]

Virginia

11/14/96

Signed:

Of:

Date:

Alroy M Meeks for
W. Carter State

Ohio

11-14-96

[Signature]
Comp. Invoice

Oklahoma

11-14-96

Oregon

11-14-96

Nicholas G. Astor

Pennsylvania

11/14/96

Puerto Rico

Rhode Island

✓ Joseph L. Jacobs

South Carolina

11-18-96

Debra D. Deane

South Dakota

11-14-96

Bill C. H.

Tennessee

11-14-96

Catherine A. Gregoire

Texas

11/14/96

[Signature]

Utah

11-14-96

Eraser R. Carter

Vermont

as of 11/14/96

[Signature]

Virginia

11/14/96

13h

Signed:

Of:

Date:

Virgin Islands

John Z Bley

Washington

11-14-96

Shawn Z Bies

West Virginia

11-20-96

Michael J. Mark

Wisconsin

11/19/96

Z Brent Hunt

Wyoming

11/17/96

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EXHIBIT 1

**State/Federal
Supervisory Protocol**

**State/Federal
Supervisory Protocol**

STATE/FEDERAL SUPERVISORY PROTOCOL

Statement of Purpose and Applicability

The overall purpose of this Protocol is to outline a basic framework for supervising state-chartered banks with interstate branches. Accordingly, the goals and guiding principles of this Protocol apply to any multi-state, state chartered bank.¹ The extent to which the specific elements will apply depends upon the size and complexity of the subject bank; all elements would normally apply to interstate banks with total assets over \$1 billion.

I. Goals and Guiding Principles

- A. The goals of the Board of Governors of the Federal Reserve System (the "Board"), the Federal Deposit Insurance Corporation (the "FDIC") and the State Banking Departments are to promote the safety and soundness of financial institutions; to supervise and examine in a seamless, flexible and risk-focused manner; to minimize regulatory burden and expense; and to foster consistency, coordination, and communication among the appropriate Federal and State regulators.
- B. To achieve these goals, the Board, the FDIC and the State Banking Departments resolve to:
 - 1. Coordinate the supervisory process to achieve a seamless and flexible regulatory program for state-chartered banks with a multi-state presence.
 - a. Recognize the Home State Supervisor² as the single point of state contact for a particular interstate bank consistent with the CSBS Protocol adopted April 20, 1995. The Responsible Federal Reserve Bank and the

¹ The most fundamental objectives of the Protocol, i.e. coordination, flexibility, and consistency, would apply to any state chartered bank.

² See appendix for definitions.

Responsible FDIC Regional Office, respectively, will coordinate primarily with the Home State Supervisor for state member banks and state nonmember banks.³

2. Develop a supervisory program that is tailored to a bank's condition and risk profile and that specifically recognizes and addresses its unique characteristics.
3. Coordinate fully the applications process by promoting consistency in approach and developing common forms.
4. Provide information to a multi-state bank as to the laws and regulations governing its operations and the general regulatory policies and standards applicable to its supervision process.

II. Supervisory Process

A. Supervisory Plan

1. The Home State Supervisor and Responsible Federal Agency will each identify a specific individual responsible for developing and coordinating the supervisory process for each state chartered bank operating in more than one state. These individuals will, among other things, serve as the liaison with bank management and will ensure that the principles of this Protocol are achieved.
2. The Home State Supervisor and Responsible Federal Agency will jointly develop and update, as needed, a comprehensive supervisory plan covering an agreed upon planning horizon for each bank. This plan will take into consideration the bank's organizational structure and risk profile.⁴ It will address the scheduling and timing for safety and soundness and specialty examinations⁵ and/or targeted reviews, off-site monitoring programs, and meetings with bank management.

³ In bank holding companies with multiple state-chartered subsidiary banks, the Responsible Federal Reserve Bank for the holding company will coordinate with the appropriate parties to ensure the principles of this Protocol are applied on a consolidated basis.

⁴ In developing the risk based supervisory plan, consideration will be given to the degree of reliance that can be placed on the institution's internal control/compliance functions, as well as external audit, as appropriate.

⁵ For example, Trust, Information Systems and Consumer Affairs/CRA Examinations.

3. The Home State Supervisor and Responsible Federal Agency will take all necessary steps to implement the supervisory plan and will coordinate with Host States and Local Federal Reserve Banks or Local FDIC Regional Offices.

B. Examinations

1. The over-riding goal of this Protocol is to minimize regulatory burden and maximize efficiency by conducting joint or alternating examinations.⁶
2. The scope of on-site examinations will be jointly developed during the pre-examination period for joint examinations. The Home State Supervisor and Responsible Federal Agency will consult, as appropriate, on the scope of alternate examinations. The scoping process will focus on ensuring examinations are risk-focused.
3. Based on this planning, the Home State Supervisor and Responsible Federal Agency will prepare a single joint entry letter for joint examinations. With an emphasis on reducing regulatory burden, entry letters for both joint and alternate examinations will request information critical to the examination process or off-site evaluation, thereby minimizing on-site efforts.
4. The Home State Supervisor and Responsible Federal Agency will coordinate off-site and on-site examination work and will make every effort to avoid duplicative information requests. Examiners will coordinate requests for critical information related to centralized functions, such as risk management or credit review, that cross legal entity lines.
5. For joint examinations, the Home State Supervisor and Responsible Federal Agency will prepare a joint examination report that clearly and concisely identifies supervisory issues and any required corrective action.⁷

⁶ Joint examinations will normally be used for the larger, more complex organizations; alternate examinations are generally reserved for small organizations.

⁷ For examinations conducted under the alternating program, the agency conducting the examination will prepare the examination report.

C. Supervisory Actions

1. The Home State Supervisor and Responsible Federal Agency will, in all cases, consult one another regarding supervisory actions.
2. When the Home State Supervisor and Responsible Federal Agency jointly deem that a follow-up supervisory action is warranted, both agencies will take any necessary steps to develop and implement a joint action.

III. Communications

- A. The individuals designated by the Home State Supervisor and Responsible Federal Agency as responsible for a particular bank will take all necessary steps to facilitate clear communication and information sharing in order to reduce burden on the institution and to keep each other informed of developments pertinent to supervision of the bank.⁸
- B. Nothing in this Protocol preempts any statutory or regulatory obligation of a bank to provide specific information or file required reports with a Federal or State supervisor.

IV. Applicable Law

- A. The Board, the FDIC and the State Banking Departments recognize they may not necessarily be empowered to waive provisions of Home or Host State law directly applicable to multi-state banks or their branches in Host States. However, to assist multi-state, state-chartered institutions and their counsel in resolving issues of applicable law, the Board, the FDIC and the State Banking Departments agree that these issues may be addressed using the following general principles.
 1. Host State law shall apply generally to the operations of a branch of a multi-state bank in the Host State including: (i) antitrust law and deposit concentration limits; (ii) community reinvestment and similar laws; (iii) consumer protection laws,

⁸ As appropriate, the Responsible Federal Agency and Home State Supervisor will take any necessary steps to communicate with Local Federal Reserve Banks/FDIC Regional Offices and Host State Supervisors, respectively.

including lending and usuary laws to the extent that laws or court decisions regarding the exportation of interest rates are inapplicable; (iv) fair lending or equal credit laws; and (v) other operational matters where competitive equality with host state banks may be an issue.

2. Home State law shall apply generally to the corporate structure and internal policies and procedures of a multi-state bank including: (i) charter and bylaws; (ii) incorporation and dissolution; (iii) board of directors and management; (iv) capital; (v) loans, lending limits and investments; (vi) common trust funds; (vii) dividends; (viii) indemnification of directors and officers; (ix) stock and debt; and (x) structure of bank subsidiaries.
3. These provisions are not intended to supersede any cooperative agreements between the states.

V. Applications

- A. The Home State Supervisor and the Responsible Federal Agency will closely coordinate on all applicable applications matters.
 1. The Home State Supervisor and the Responsible Federal Agency will take all appropriate actions to ensure that applications filed by multi-state banks are processed in a coordinated and timely fashion by their respective agencies.
 2. Common applications forms and applications requirements, such as concurrent processing periods, will be developed to the extent practicable under State and Federal law.
 3. To the extent that applications forms differ, the Home State Supervisor and the Responsible Federal Agency will accept needed information contained on the other agency's forms, where practicable.

APPENDIX

Definitions and Abbreviations

- "Home State" means the state where a state-chartered, multi-state bank is chartered.
- "Home State Supervisor" means the bank supervisory agency of the Home State of a multi-state bank.
- "Host State" means a state other than the Home State of a bank where the bank maintains a branch.
- "Local FDIC Regional Office" means an FDIC regional office, other than the Responsible FDIC regional office, where a state nonmember bank maintains a branch.
- "Local Federal Reserve Bank" means a Federal Reserve district, other than the Responsible Reserve Bank's district, where a member Multi-State Bank maintains a branch.
- "Responsible FDIC Regional Office" means the FDIC regional office with responsibility for coordinating the FDIC's supervision process for a state nonmember bank.
- "Responsible Federal Reserve Bank" means the Federal Reserve Bank with responsibility for coordinating the Federal Reserve's supervision process for a state member bank.
- "Responsible Federal Agency" means either the Responsible Federal Reserve Bank or Responsible FDIC Regional Office for state member banks and state nonmember banks, respectively.



February 5, 1997

Joseph P. O'Neill
Commissioner of Financial Institutions
Government of Puerto Rico
Centro Europa, Bldg.
1492 Ponce De Leon Ave., Suite 600
San Juan, Puerto Rico 00907-4127

Dear Mr. O'Neill:

We appreciate your signing the Consumer Protection Agreement, and we have enclosed a copy of the agreement with the appropriate signatures.

Concerning the agreed-upon training, NCUA Supervision Analyst Joe W. Ostrowidzki is developing a presentation for members of your staff and PROSAD-COOP relating to our Automated Integrated Regulatory Examination System (AIRES). He is coordinating this training with Joe Garcia and José Lazaro of PROSAD-COOP. We understand Joe and José will communicate the training details with the appropriate members of your staff.

In addition, an NCUA employee will communicate with your staff shortly to coordinate HMDA and TISA training. We expect to complete these training programs within the 90 day time-frame agreed upon.

If you have any questions, please contact our division of supervision at (770) 396-4042.

Sincerely,

H. Allen Carver
Regional Director

Enclosure

cc: Carlos E. Beck, III, Executive President
Corporación de Seguro de Acciones y Depósitos de
Cooperativas de Ahorro y Crédito "PROSAD-COOP"
P.O. Box 195449
San Juan, PR 00919-5449

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INSTITUCIONES FINANCIERAS
AREA DE DIRECCION

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**CONSUMER PROTECTION AGREEMENT
BETWEEN NATIONAL CREDIT UNION ADMINISTRATION (NCUA)
AND COMMONWEALTH OF PUERTO RICO
COMMISSIONER OF FINANCIAL INSTITUTIONS (CFI)**

NCUA has enforcement authority for several consumer compliance regulations for all credit unions. Fulfillment of the consumer compliance enforcement responsibilities for Commonwealth-chartered credit unions shall be completed through agreement with CFI. Through this agreement CFI agrees to review, at all credit union examinations, compliance with the following consumer protection regulations:

- Home Mortgage Disclosure Act (HMDA) - HUD Reg. C¹
- Truth in Savings Act (TISA)²

The following represents CFI's responsibilities regarding procedures for determining consumer compliance in credit unions:

1. The CFI examiner shall complete the applicable checklists for both HMDA and TISA during the examination. The CFI shall maintain these checklists in CFI files for a period of at least 36 months from the date of the examination.
2. CFI examiners shall document any identified problems/deficiencies in the examination report and the actions the credit union plans to initiate to resolve the situation.
3. CFI shall forward the consumer compliance portion of all examinations, including completed checklists, corrective agreements and similar documents, to the NCUA Region III (Atlanta) office on a flow basis.

The following represents NCUA's responsibilities regarding consumer compliance for Commonwealth-chartered credit unions:

1. NCUA shall provide initial and ongoing training to CFI examiner staff regarding each of the consumer compliance statutes for which compliance is required by Commonwealth-chartered credit unions.
2. NCUA shall provide appropriate checklists, forms, reference material and periodic updates regarding each regulation for which compliance is examined.

¹ Note: Effective 1/1/97, HMDA applies only if:

- a. a home or branch office is in a Metropolitan Statistical Area (MSA).
- b. The credit union is at least \$28 million in assets as of December 31 of the previous year.
- c. The credit union originated at least one first-lien home purchase, or refinance, on a one-to-four family dwelling in the previous calendar year.

² Note: Applies to all credit unions with assets in excess of \$2 million.



**Puerto Rico Consumer Protection Agreement
Page Two**

1. NCUA shall provide advice and guidance to CFI staff concerning questions and issues related to consumer compliance issues.
2. In the event a compliance problem is identified and the credit union is unable or unwilling to take corrective action, NCUA shall:
 - Review the situation
 - Determine what further action, if any, is needed.
 - Notify CFI and the credit union of the determination

The designated agency directors or their respective successors shall agree in writing to any future changes to this agreement.

This agreement shall remain in effect until either party cancels it upon 30 days prior written notice.



Joseph P. O'Neill
Commissioner of Financial Institutions
Commonwealth of Puerto Rico



H. Allen Carver
Regional Director
National Credit Union Administration

January 13, 1997
Date

February 4, 1997
Date

S:\Word\SSA\PR-Agre3

Mr. Joseph P. O'Neill
February 5, 1997
Page Two

cc: Joe Garcia, Assistant Vice President
Corporación de Seguro de Acciones y Depósitos de
Cooperativas de Ahorro y Crédito "PROSAD-COOP"
P.O. Box 195449
San Juan, PR 00919-5449

José Lazaro, Assistant Vice President
Corporación de Seguro de Acciones y Depósitos de
Cooperativas de Ahorro y Crédito "PROSAD-COOP"
P.O. Box 195449
San Juan, PR 00919-5449

Office of E&I
General Counsel
ARDO Hornbrook
ARDP McCollum
SE Bolduc
SA Ostrowidzki

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